During the last year or so many people have expressed the view that Australia is not as dependent upon its rural industries, and particularly upon the wool industry, as it once was. People who try to argue in this way have pointed to the recent recession in wool prices, and have said that this has had very little effect on the rest of the economy, and despite a 30% fall in wool prices over the last two years we have been able to maintain a very high level of employment. These people go on to say that a similar fall in wool prices in the early 30's resulted in 30% unemployment. The argument then goes on that since we have survived a drastic fall in wool prices with little effect on Australia generally therefore Australia as a whole is not dependent upon wool prices.

This is an extremely superficial view, and I have been quite frankly amazed at the responsible people who have put it forward. It does not make sense to compare the effect of a fall in wool prices in 1958 with the effect of a similar fall in wool prices in the early 1930's. So many other things have changed. In the 1930's Governments followed what we called balanced budget policies. If the income of the nation fell Government revenue would also fall, and under the ideas of the day Government expenditure would have to be cut to keep it within its revenue. This obviously led to a snowball effect and was one of the principle reasons why, in the pre-war years, unemployment sometimes grew to most distressing levels.

Since the war Governments have, with new knowledge and greater experience, followed different policies. If the income of the nation falls it is the Government's duty to try and counteract this to prevent large scale unemployment. The obvious way to do this is to spend some of the funds and reserves that have been built up in years of especially high income. In other words, during the very good years the Government does not spend all the income it gets - it keeps some of the surplus to spend in the bad years. This has a counterbalancing effect and lessens fluctuations in employment. This is the chief difference between the present position and the 1930's.

However, there are other factors which affect the recent situation and which were not present in the 1930's. Australia as a whole was able to continue its development unimpeded by the fall of wool prices for three reasons.
We had very large overseas reserves in the United Kingdom which had been built up as a result of high wool prices in earlier years; secondly, the U.S.A. and U.K. were experiencing a severe economic slump. In the United States unemployment reached between six and seven million. This meant that overseas investors were looking to Australia as a more profitable place for investment than many other countries. The amount of private capital invested in Australia last year almost doubled compared with previous years. This again made it possible for us to continue to buy the things we needed from abroad and to continue our general progress.

In the final analysis what Australia can do in the way of development depends upon our overseas income. We are one of the world's greatest trading nations and even though our industries are stronger now than ever before we find that we are still extraordinarily dependent upon overseas funds to buy essential capital equipment and, in many cases, raw materials. 80% of all imports are capital equipment or raw materials for industry or fuel.

If we were less dependent upon wool now than we once were we would expect that wool export income as a percentage of total export income would be less than it once was. This is not true. In the ten years before the war the value of wool exports as a percentage of total exports was an average of about 40%. In the last ten years the average would have been nearly 50% showing a greater and not a smaller dependence upon wool. In addition, over the last ten years the value of wool production has been a greater percentage of all the goods and services produced in this country than it ever was before the war.

In the face of these facts it is difficult to see how some people who should know better can say that our dependence upon our great rural industries is less than it once was. It is quite true that we now know how to minimise the effect of fluctuations in export income or in wool income so far as the general economy is concerned, but that does not mean in the long term we are any less dependent on wool or rural industries than before. For example, if we had been hit by the extremely low wool prices of last year without adequate reserves in the U.K. and if overseas investors had not chosen that time to send more money to Australia then every person in this country
would have been vitally and seriously affected by the fall in wool prices. It would have been extremely difficult to avoid heavy unemployment. We did not experience this because the Government used the high wool prices of previous years to build up adequate overseas reserves which would stand by us in time of need. This again points to a great dependence on wool since those reserves were built up by high wool prices and by nothing else.